

October 6, 2017

Company Name: GNRC

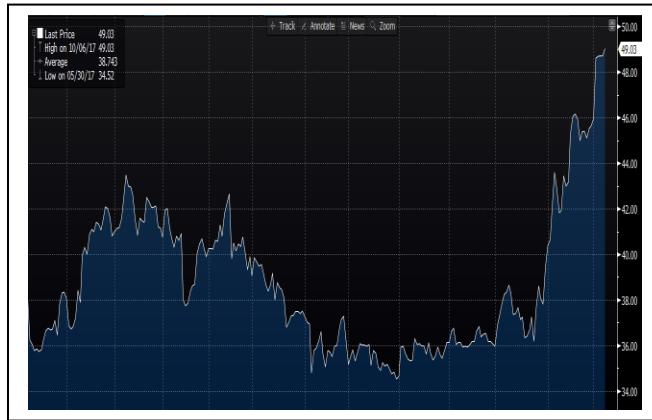
Michael Diotalevi

Sector: Technology
Industry: Back-Up Energy
Current Price: 49.03 (8:00pm, 10/6/2017)
Target Price: \$62.41

Company Description: Generac is the industry leader in back-up power generation within the residential, commercial, and industrial market. Along with generation systems, Generac also offers a wide variety of “chore” related power equipment fit to meet consumer needs. With a well-developed global footprint and diversified portfolio of products Generac contains a very large market share.

BUY/HOLD/SELL: BUY

Current Price:	\$49.03
Target Price:	\$62.41
Market Cap:	3.03B
Beta:	1.09
ROIC:	8.70
ROE:	26.24%
ROA:	6.25%
Revenue Growth (YOY)	9.65%
EBITDA	271.36M



Thesis:

Generac Holdings is a company who has maintained stable, to increasing revenue and sales over the previous years. The probability of better future performance outweighs the probability of negative performance based on numerous catalysts. When considering an aging and underinvested national electric grid, it is valid to expect an increased reliance on backup power generation in the long term. Weather related incidents are a strong factor as well. Seasonal changes and the aftermath from weather related incidents are a long-term catalyst of demand for a product from a company that provides a market-leading product in emergency response and power generation. A 5%-6% organic growth is expected with a conservative 1% addition from seasonal factors and storms.

An industry specific shift in power generation from the traditional diesel powered generation, to natural gas generation systems can be expected to benefit Generac as they are the current leader in natural gas generation. Generac's technology will establish them to become the leader within the evolving industry. Generac is expected to expand its' commercial market share through numerous strategies which improve operations and Generac's global footprint. Increasing revenue and lower costs

Catalysts:

- Short Term:
 - Demand response in relation to weather related incidents, overall growing concern for backup power generation.
- Mid Term:
 - Housing authority contracts, incorporation into more retail distribution.
 - Market shift towards natural gas generation.
 - Increase in housing investment; new builds and purchases.
 - Expansion of non-power generation products, CHP acquisition: more cost efficient production and distribution method.
- Long Term:
 - Aging and underinvested grid, favorable demographics, and heightened power outages.

of operation will contribute to long term growth for Generac.

Earnings Performance:

Looking at Generac's performance the company has been showing significant growth caused by numerous catalysts. TTM revenue is currently at its' peak performance while operating income shows considerable improvement measuring back to 2015. EBITDA measures show significant improvement over the previous two years. Gross profit has remained constant following the previous year but still remains up in comparison to the measures of 2015.

Over the preceding years, operating income is showing a stable increase as Generac's internal operations become more efficient. Generac is in the process of implementing many initiatives in an attempt to lower their operating costs. This will be examined and further explained later on in the analysis. Two significant factors that have contributed to lower costs of operations are the acquisition of Pramac and Motortec. Interest expenses are continuing to fall as they are using internal funding for their operations. This suggests a healthy cash flow and pre-operation reserve of useful cash. In the years 2017 and 2018, Generac can expect a free cash flow of over \$800 million.

Increasing Profitability:

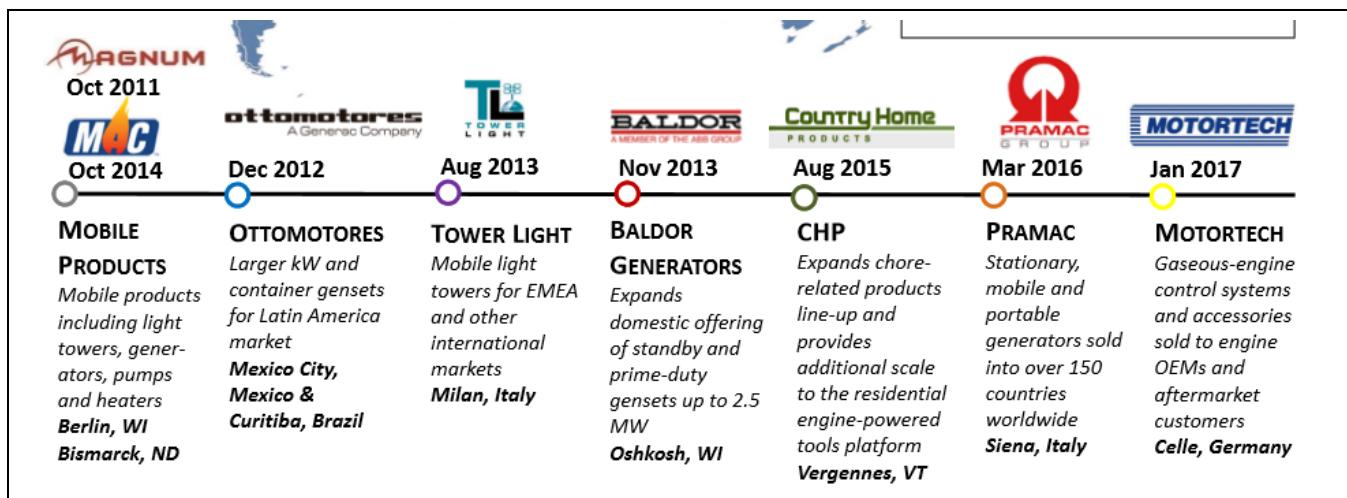
Generac is the industry leader in backup power generation systems while offering highly competitive products within the industries it holds market share. Offering a large variety of products, Generac has diversified into multiple industries each increasing market share. In regard to back-up generation Generac offers three individual residential-consumer power products (home generation systems), commercial and industrial stationary products (generators), commercial and industrial mobile products (portable generation and light staging), and engine powered tools (chore-related outdoor power equipment). Generac has made a number of acquisitions, which will positively contribute to their operations internally and externally. Acquisitions have been made on a national and international scale. Recently acquiring Pramac, Generac has expanded its distributional process internationally as it enters more foreign markets, increasing market share. Generac has been able to expand its international dealer network to over 6,000 dealer's worldwide, expanding Generac's global footprint.

Global expansion has had a significant effect on Generac's margins. Within the previous two years operations have become more efficient lowering Generac's cost, while revenues have shown a stable increase and are expected to increase forward looking. From their investor day, Arron Yokfield *CFO* mentions, "Every

1% of penetration that we add to our “grow and gain pillars”, currently we are at 4%, is a 2 billion dollar increase in opportunity. (Yokfield”)

Acquiring Motortech earlier in the year Generac is now entering a phase of realized returns as they significantly improve on the costs and efficiency associated with their operations. Motortech is an industry leader in the creation of backup generation parts and motors, and prior to being acquired by Generac offered the industry’s most competitive products. Generac has been able to expand its’ market share within the demand response industry through this acquisition. The term demand response refers to a product that does not only operate when in a responsive state, but one that runs when electricity usage is high or during peak demand to increase efficiency measures and lowering electricity related expenses. The acquisitions of Pramac and Motortech are expected to contribute ~ 5% growth which are unadjusted for the effects of increased weather factors. Improving global presence, market share, operations, distribution, and increasing research and development channels, Generac has made strategic plans to become a world-wide leader in each industry it performs business in.

The following chart shows all acquisitions performed by Generac:

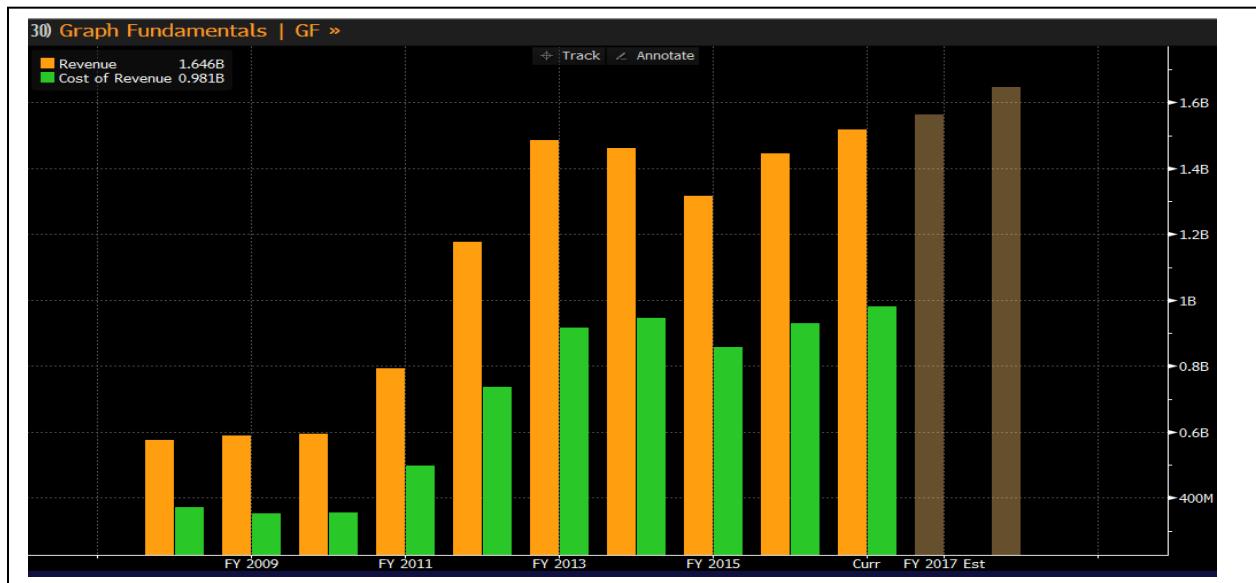


Improving operating efficiency Generac has been able to combat an increase in the costs of goods sold. Financially Generac has been able to reduce its’ debt by funding these activities through cash from operations. Capital expenditures were \$30.5 million and \$30.7 million for the years ending December 31, 2016 and 2015. High investment in research and development has allowed Generac to gain a technological insight of what it takes to offer a superior product. Leveraging “engineering facilities at many locations globally and employing over 300 personnel with a focus on new product development, existing product improvement, and cost containment (10-K)” Generac will soon take advantage of doing so. Generac’s competitive advantage will come from the numerous acquisitions it performed within a five-year span. Specifically air-cooled engines and liquid-cooled engines are two items mentioned within Generac’s 10-k annual report.

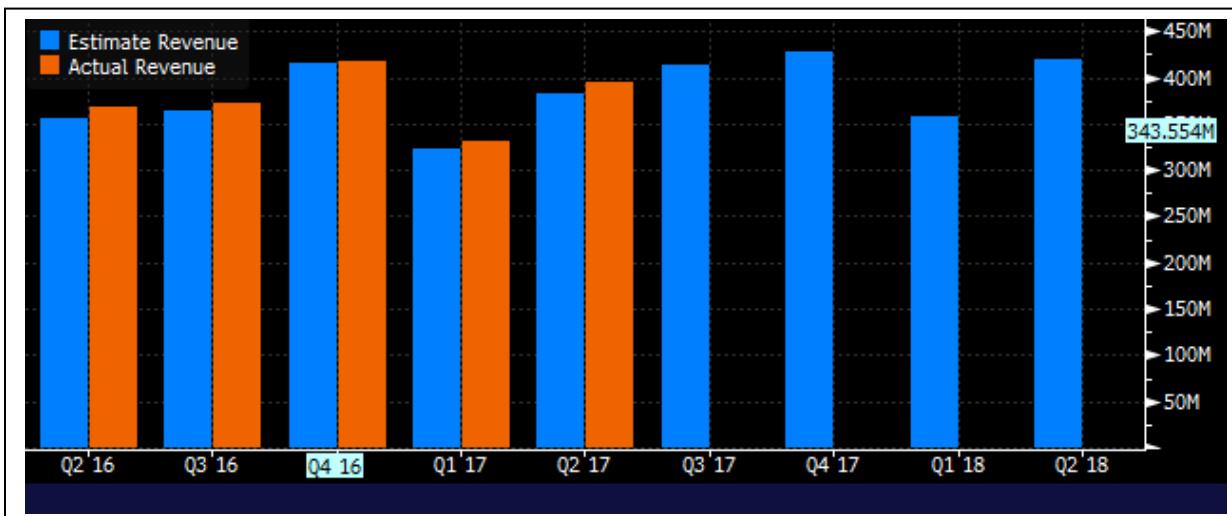
Comparing Generac to similar competitors Generac has outperformed the median average in each category.

Name	ROE:Y	ROA:Y	EBITA Mrgn:Y	GM:Y	PM:Y
Median	11.21%	6.35%	10.67%	26.94%	7.71%
100) GENERAC HOLDINGS INC	26.24%	6.25%	16.45%	35.59%	7.87%
101) ZHONGSHAN BROAD OCEA...	8.39%	4.61%	8.95%	23.13%	7.54%
102) ENERSYS	19.76%	9.28%	9.96%	27.49%	8.83%
103) JPMF GUANGDONG CO LT...	5.88%	2.48%	2.93%	9.47%	1.95%
104) HUNAN YINGJIU TORSECO TEC...	1.00%	1.16%	2.00%	12.11%	0.10%

The following chart represents Generac's revenues in comparison to costs associated with revenues:



- Generac is performing operations at a level that continues to improve profitability. Looking at expectations of revenue Generac is continuing to beat expectations of revenues predicted by analysts.



Macro Catalysts of Demand:

Generac is highly influenced by the changes in seasonality. The term influence correlates with increased demand as demand itself remains stable and increasing. This analysis is excluding catalyst of demand which will be future explained.

Generac is entering a phase where it will soon begin taking advantage of these seasonality factors as it completes preparation of anticipated growth. For Generac seasonality changes and events can positively influence Generac's cash flows and operating margins. As weather conditions become more unpredictable while bringing more catastrophic events, demand for back-up power generation is obvious and increasing within all aspects of daily life.

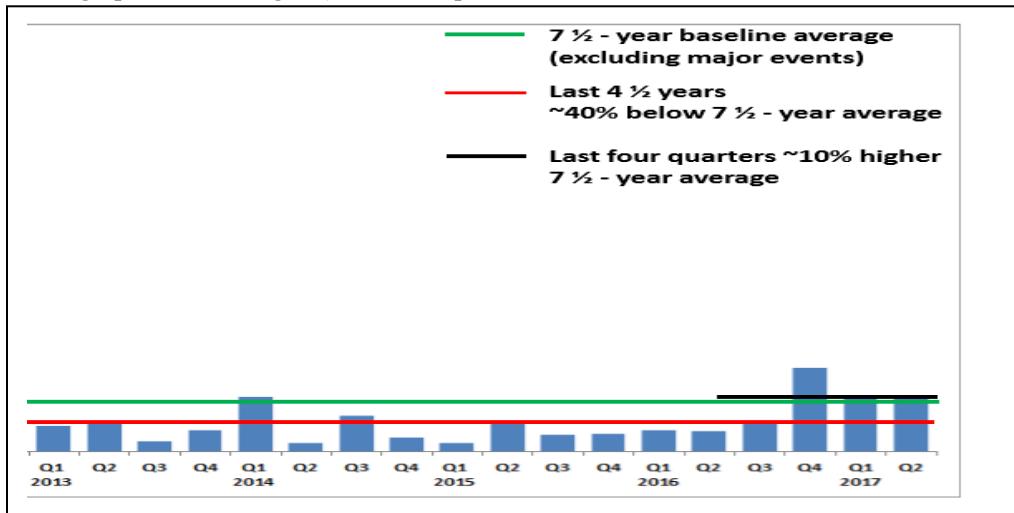
September 2017 has recently become the most active month to record for Atlantic hurricanes bearing two category five hurricanes, Irma and Maria, and a category 4 named Jose. As unpredictable as weather is, it is obvious to predict that there is a growing concern for disaster preparation and relief prior/post weather related events. This is why increased concern for disaster preparation and relief are catalyst in growth in demand for Generac products. Technologically speaking Generac is the industry leader in home generation systems as it brings the most dependable and proven successful product to market backed by years of research and development. Generac never settles on the standards of their products as they are constantly modifying every aspect of production to meet consumer expectations.

The three main residential products Generac offers are:

- Air-cooled home standby generators
- Liquid-Cooled home standby generators
- Portable and inverter generators

Offering a variety of products Generac currently is the leader of residential backup generation systems. Offering numerous products for each of the three previously mentioned sectors, Generac has the ability to customize each product to fit each consumer's needs.

- The following graph shows the reported number of weather related power outages in the U.S over the past four years.
- In 2016-2017 data suggests that outage rates become closer, if not beat their seven-year average. Note that the graph is excluding major catastrophic events.



Weather's financial effect on Generac:

Statistical analysis shows that prior to a catastrophic event caused by weather, demand for Generac's products never settles back to its previous amount. Simply stated, the more weather related incidents that affect our power grid and the demand for electricity, positively correlate to an increased demand for Generac's generation systems. Prior year's sales show how Generac has gained from a concern in power reliability over the previous years. It is important to realize the current outdated and structurally weaker national power grid when considering the demand for backup power generation.

Macro catalyst: Residential Housing

Optimistic opinions of the housing industry and commercial real-estate sector provide increased opportunity for Generac in the upcoming years. Data sourcing from the Federal Home Loan Mortgage Corp. (FHLMC) suggests, "New homes are expected to be a "primary driver of sales in 2018," as 1.33 million housing starts are predicted next year—up from 1.22 million in 2017, according to Freddie Mac's September Outlook report, which gauges future real estate activity. Total home sales are expected to increase about 2 percent from 2017 to 2018, according to the report." With an increased concern over volatility in power outages and an optimistic opinion of increasing demand in residential and commercial housing markets, Generac is entering a period where the markets it does business in are on the brink of growth and opportunity. Internally, Generac must use its' competitive advantages to take advantage of this expected growth, fueling growth as a company. Looking at *Total Net Sales* for the years 2016, 2015, and 2014 residential products (power generations systems) accounted for 53.5%, 52.2% and 49% increasing year over year.

The following chart is Bloomberg's economical expectation of future investment in the start-up of new homes:

Indicator	Housing Market					Probability of Recession					2019
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Housing Market											
Housing Starts (000s SAA...)							1166	1211	1290	1330	
New Home Sales (000s \$...)							566	618	658	692	
Existing Home Sales (Mln...)							5.4	5.6	5.6	5.7	
Building Permits (000s S...)							1168	1240	1323	1380	

With the residential industry looking promising in the present and future, Generac is also directing its' interests toward the commercial housing industry. Recently Generac has contracted with the New York City Housing Authority to install natural gas powered generation systems. They won this bid over one of their major competitors, Caterpillar. Generac's success in winning this account can be credited to their ability of offering a superior product over their competition. Generac's ability to do so is credited to Generac's reputation in the market. Generac's CFO mentioned in their most recent earnings call that contracts such as this one are more likely to occur in the future. Looking at this as a mid-term catalyst, commercial contract can be expected to contribute to Generac's future growth and opportunity. Contracted growth opportunities are something likely for Generac as global concern for backup power generation increases, and Generac's reputation becomes more evident.

Internal anticipation of growth:

What is being done; and what will be the outcome.

Anticipating increased demand for Generac's products Generac has invested in multiple "self-funding" internal processes to make operations more efficient. The term "self-funding" is used as stated by Generac's CFO himself during their recent *Investor Day* held on September 7th, 2017. Generac operates on a "Powering Ahead" strategic plan readily preparing the company for upcoming market expectations.

Generac's strategic plan divided into four sections:

1. **Drive continued growth in the penetration rate of home standby generators.**
 - 1% increase in penetration equates to a \$2B sales opportunity.
2. **Expansion of C & I products to favorably position and continue gaining market share.**
 - 1% increase in market share equates to a \$35M sales opportunity.
3. **Capitalize on competitive advantages with gaseous-fueled products.**
 - \$5B Market global gas market opportunity – currently serve ~\$2B.
4. **Growing and improving profitability within the global business.**
 - Global footprint to serve \$13.5B Market outside of U.S and Canada.

How will Generac capitalize on its strategic plan?

Implementation of improved internal process and external modifications are what Generac is currently doing to attack its' profitable strategy. "*PowerPlay*" is one of these processes it has recently introduced. Generac recently created software and it is beginning to become standardized in all consumer and commercial products. The software is linked to an activation code for all products that must be registered with Generac prior to use. With this, Generac can monitor who, why, when, where, and who in the area *does not* use a generator. Using *PowerPlay* Generac has also developed a platform that allows a user-friendly interface for product owners. This has allowed Generac to modernize the dealer-customer relationship and improve customer relations through use of consumer friendly "app". *PowerPlay* is not only for consumer benefits. Using the software Generac has the ability to gain consumer data. With this data they can become more effective at closing opportunities and increasing sales. One example would be a reconstruction of a dealer's sales pitch, as that dealer can now implement data that pertains to a particular customer. That dealer might now state that for a specific customer's area you can see increased outages for a particular period or season. Information like this is a catalyst in driving more incentives to purchase a Generac system.

Generac has also created a system called "*Core*" which has allowed them to enhance the number of bids their sales representative and distributors close through a data-analytical interface. Prior to its implementation a Generac representative mentions in their investor relations presentation that the software has shown significant improvements on their bids to close rates. With an ability to funnel particular bids to particular dealers Generac uses, its' analytical data to provide more information to the market desired. Generac is better preparing their sales representatives, which is leading to a distinction from their competitors within the markets. Software such as "*PowerPlay*" or "*Core*" are now standardized in every product Generac offers, and in every industry it obtains market share.

Obtaining particular data is one strength, but knowing how to use it to its best advantages is far more superior.

Generac is constantly improving their "IC-University" which is a "hard core sale training" for all representatives. Russ Minick mentions in Generac's presentation that the technological investments and educational investments "have been profitable and self-funding. (RM)" Investments in research and development have made significant modifications to Generac's sales training. All Generac representatives must complete IC-University training prior to their first encounter with a customer. In doing so Generac has evolved a more efficient process in raising awareness on backup power

generation, while constantly modifying how they interact with customers to increase their market share within all industries of operations.

Market Expectations:

Ever since the beginning of “the backup” power generation the industry itself has been completely reliant on the use of diesel and gas to fuel generation systems. Generac has deviated from this original technique as it has invested significant research and development into a natural gas fueled power generation system. This significant investment in research and develop comes from the anticipation that the entire market will shift toward natural gas generation as well. Offering the market leading gas and diesel generation systems, Generac now offers the most efficient natural gas power generation system. Natural gas systems not only provided a more efficient generation process, but also a cleaner and more environmentally friendly aspect to power generation. Both aspects of increased efficiency and cleaner bi-products can benefit Generac within the residential, commercial/industrial, and power equipment industry. As the market itself shifts further towards natural gas generation, Generac has already stabilized a superior product within the market and is ready for change. As previously mentioned Generac has recently contracted with the New York City Housing Authority for installations of natural gas generators. More contracts for the future, such as the one mentioned, can be expected.

Conclusion:

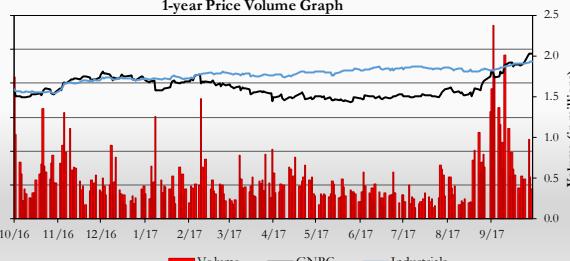
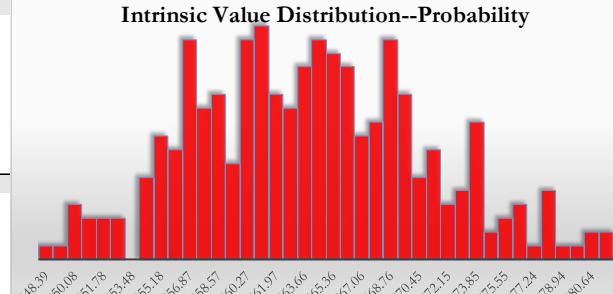
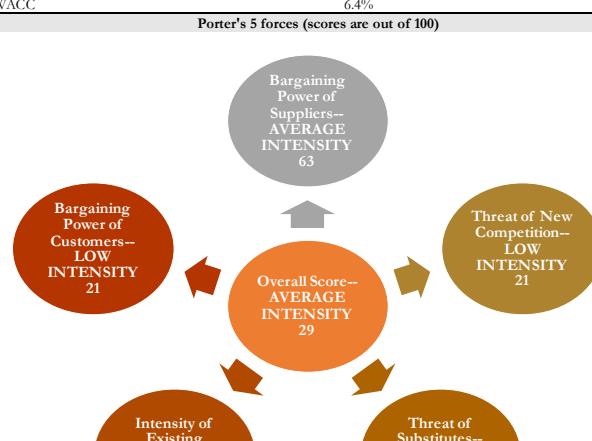
In conclusion, Generac (GNRC) is a **BUY** as the current price does not represent the future growth expected and, undervalues profitability from operations expected in the future. Generac has the competitive advantage of a strong internal process and industry reputation as it concludes preparation of expected increases in demand and market shifts. In the present, Generac is simply waiting to take advantage of the future it has predicted for each market Generac shows presence. Technological preparation and veteran leadership is currently fueling growth and value creation and will continue to do so. Generac’s one year target price is \$62.41, a 27.29% return can be expected due to growth fueled by demand and more efficient operations.

**Generac Holdings Inc.
(GNRC)**

Analysis by Michael Diotalevi

10/6/2017

CENTER FOR GLOBAL FINANCIAL STUDIES
BULLISH

Current Price:	\$49.03	Intrinsic Value	\$56.06	Target 1 year Return:	27.29%																																																				
Dividend Yield:	0.0%	Target Price	\$62.41	Probability of Price Increase:	99.67%																																																				
1-year Price Volume Graph					Market Data																																																				
					Market Capitalization \$3,047.27 Daily volume (mil) 0.36 Shares outstanding (mil) 62.15 Diluted share outstanding (mil) 63.57 % shares held by institutions 84% % shares held by investments Managers 92% % shares held by hedge funds 4% % shares held by insiders 2.43% Short interest 8.24% Days to cover short interest 9.05 52 week high \$49.11 52-week low \$33.77 Volatility 35.47%																																																				
Description					Intrinsic Value Distribution--Probability																																																				
<p>Generac Holdings Inc. designs, manufactures, and sells power generation equipment and other engine powered products for the residential, light commercial, and industrial markets worldwide.</p> <p>General Information</p> <table> <tr><td>Sector</td><td>Industrials</td></tr> <tr><td>Industry</td><td>Electrical Equipment</td></tr> <tr><td>Last Guidance</td><td>November 3, 2015</td></tr> <tr><td>Next earnings date</td><td>October 26, 2017</td></tr> <tr><td>Estimated Country Risk Premium</td><td>5.69%</td></tr> <tr><td>Effective Tax rate</td><td>25%</td></tr> <tr><td>Effective Operating Tax rate</td><td>19%</td></tr> </table>					Sector	Industrials	Industry	Electrical Equipment	Last Guidance	November 3, 2015	Next earnings date	October 26, 2017	Estimated Country Risk Premium	5.69%	Effective Tax rate	25%	Effective Operating Tax rate	19%																																							
Sector	Industrials																																																								
Industry	Electrical Equipment																																																								
Last Guidance	November 3, 2015																																																								
Next earnings date	October 26, 2017																																																								
Estimated Country Risk Premium	5.69%																																																								
Effective Tax rate	25%																																																								
Effective Operating Tax rate	19%																																																								
Past Earning Surprises					Sensitivity Attribution Analysis																																																				
<table> <thead> <tr><th>Quarter ending</th><th>Revenue</th><th>EBITDA</th><th>Peers</th></tr> </thead> <tbody> <tr><td>6/30/2016</td><td>-0.26%</td><td>-1.72%</td><td>Graco Inc.</td></tr> <tr><td>9/30/2016</td><td>0.38%</td><td>-5.39%</td><td>Actuant Corporation</td></tr> <tr><td>12/31/2016</td><td>-2.28%</td><td>-4.44%</td><td>Nordson Corporation</td></tr> <tr><td>3/31/2017</td><td>0.88%</td><td>-12.45%</td><td>Briggs & Stratton Corporation</td></tr> <tr><td>6/30/2017</td><td>-1.77%</td><td>-1.25%</td><td>EnPro Industries, Inc.</td></tr> <tr><td>Mean</td><td>-0.61%</td><td>-5.05%</td><td>Regal Beloit Corporation</td></tr> <tr><td>Standard error</td><td>0.6%</td><td>2.0%</td><td>Terex Corporation</td></tr> <tr><td></td><td></td><td></td><td>Emerson Electric Co.</td></tr> </tbody> </table>					Quarter ending	Revenue	EBITDA	Peers	6/30/2016	-0.26%	-1.72%	Graco Inc.	9/30/2016	0.38%	-5.39%	Actuant Corporation	12/31/2016	-2.28%	-4.44%	Nordson Corporation	3/31/2017	0.88%	-12.45%	Briggs & Stratton Corporation	6/30/2017	-1.77%	-1.25%	EnPro Industries, Inc.	Mean	-0.61%	-5.05%	Regal Beloit Corporation	Standard error	0.6%	2.0%	Terex Corporation				Emerson Electric Co.	<table> <tr><td>Revenue</td><td>60.9%</td></tr> <tr><td>Operating Expenses</td><td>33.3%</td></tr> <tr><td>Dividends</td><td>0.2%</td></tr> <tr><td>NWC</td><td>0.4%</td></tr> <tr><td>CAPEX</td><td>5.0%</td></tr> <tr><td>Operating Cash</td><td>0.2%</td></tr> </table>	Revenue	60.9%	Operating Expenses	33.3%	Dividends	0.2%	NWC	0.4%	CAPEX	5.0%	Operating Cash	0.2%				
Quarter ending	Revenue	EBITDA	Peers																																																						
6/30/2016	-0.26%	-1.72%	Graco Inc.																																																						
9/30/2016	0.38%	-5.39%	Actuant Corporation																																																						
12/31/2016	-2.28%	-4.44%	Nordson Corporation																																																						
3/31/2017	0.88%	-12.45%	Briggs & Stratton Corporation																																																						
6/30/2017	-1.77%	-1.25%	EnPro Industries, Inc.																																																						
Mean	-0.61%	-5.05%	Regal Beloit Corporation																																																						
Standard error	0.6%	2.0%	Terex Corporation																																																						
			Emerson Electric Co.																																																						
Revenue	60.9%																																																								
Operating Expenses	33.3%																																																								
Dividends	0.2%																																																								
NWC	0.4%																																																								
CAPEX	5.0%																																																								
Operating Cash	0.2%																																																								
Management																																																									
<table> <thead> <tr><th>Management</th><th>Position</th><th>Total compensations growth</th><th>Total return to shareholders</th></tr> </thead> <tbody> <tr><td>Jagdfeld, Aaron</td><td>Executive Chairman, Chief Ex</td><td>27% per annum over 5y</td><td>6.94% per annum over 5y</td></tr> <tr><td>Ragen, York</td><td>Chief Financial Officer and</td><td>22.04% per annum over 5y</td><td>6.94% per annum over 5y</td></tr> <tr><td>Minick, Russell</td><td>Chief Marketing Officer</td><td>3.11% per annum over 5y</td><td>6.94% per annum over 5y</td></tr> <tr><td>Pascavas, Roger</td><td>Executive Vice President of</td><td>1.62% per annum over 2y</td><td>-6.66% per annum over 2y</td></tr> <tr><td>Forsythe, Patrick</td><td>Executive Vice President of</td><td>-36.81% per annum over 1y</td><td>36.85% per annum over 1y</td></tr> <tr><td>Kanuru, Raj</td><td>Senior Vice President, Gener</td><td>N/M</td><td>N/M</td></tr> </tbody> </table>					Management	Position	Total compensations growth	Total return to shareholders	Jagdfeld, Aaron	Executive Chairman, Chief Ex	27% per annum over 5y	6.94% per annum over 5y	Ragen, York	Chief Financial Officer and	22.04% per annum over 5y	6.94% per annum over 5y	Minick, Russell	Chief Marketing Officer	3.11% per annum over 5y	6.94% per annum over 5y	Pascavas, Roger	Executive Vice President of	1.62% per annum over 2y	-6.66% per annum over 2y	Forsythe, Patrick	Executive Vice President of	-36.81% per annum over 1y	36.85% per annum over 1y	Kanuru, Raj	Senior Vice President, Gener	N/M	N/M																									
Management	Position	Total compensations growth	Total return to shareholders																																																						
Jagdfeld, Aaron	Executive Chairman, Chief Ex	27% per annum over 5y	6.94% per annum over 5y																																																						
Ragen, York	Chief Financial Officer and	22.04% per annum over 5y	6.94% per annum over 5y																																																						
Minick, Russell	Chief Marketing Officer	3.11% per annum over 5y	6.94% per annum over 5y																																																						
Pascavas, Roger	Executive Vice President of	1.62% per annum over 2y	-6.66% per annum over 2y																																																						
Forsythe, Patrick	Executive Vice President of	-36.81% per annum over 1y	36.85% per annum over 1y																																																						
Kanuru, Raj	Senior Vice President, Gener	N/M	N/M																																																						
Profitability																																																									
<table> <thead> <tr><th>GNRC (LTM)</th><th>GNRC (5 years historical average)</th><th>Peers' Median (LTM)</th></tr> </thead> <tbody> <tr><td>Return on Capital (GAAP)</td><td>13.1%</td><td>15.71%</td></tr> <tr><td>Operating Margin</td><td>12%</td><td>15.92%</td></tr> <tr><td>Revenue/Capital (GAAP)</td><td>1.07</td><td>0.99</td></tr> <tr><td>ROE (GAAP)</td><td>24.5%</td><td>21.2%</td></tr> <tr><td>Net margin</td><td>7.0%</td><td>7.9%</td></tr> <tr><td>Revenue/Book Value (GAAP)</td><td>3.50</td><td>2.68</td></tr> </tbody> </table>					GNRC (LTM)	GNRC (5 years historical average)	Peers' Median (LTM)	Return on Capital (GAAP)	13.1%	15.71%	Operating Margin	12%	15.92%	Revenue/Capital (GAAP)	1.07	0.99	ROE (GAAP)	24.5%	21.2%	Net margin	7.0%	7.9%	Revenue/Book Value (GAAP)	3.50	2.68																																
GNRC (LTM)	GNRC (5 years historical average)	Peers' Median (LTM)																																																							
Return on Capital (GAAP)	13.1%	15.71%																																																							
Operating Margin	12%	15.92%																																																							
Revenue/Capital (GAAP)	1.07	0.99																																																							
ROE (GAAP)	24.5%	21.2%																																																							
Net margin	7.0%	7.9%																																																							
Revenue/Book Value (GAAP)	3.50	2.68																																																							
Invested Funds																																																									
<table> <thead> <tr><th>GNRC (LTM)</th><th>GNRC (5 years historical average)</th><th>Peers' Median (LTM)</th></tr> </thead> <tbody> <tr><td>Cash/Capital</td><td>4.5%</td><td>7.8%</td></tr> <tr><td>NWC/Capital</td><td>23.3%</td><td>18.8%</td></tr> <tr><td>Operating Assets/Capital</td><td>24.6%</td><td>30.0%</td></tr> <tr><td>Goodwill/Capital</td><td>47.7%</td><td>40.4%</td></tr> </tbody> </table>					GNRC (LTM)	GNRC (5 years historical average)	Peers' Median (LTM)	Cash/Capital	4.5%	7.8%	NWC/Capital	23.3%	18.8%	Operating Assets/Capital	24.6%	30.0%	Goodwill/Capital	47.7%	40.4%																																						
GNRC (LTM)	GNRC (5 years historical average)	Peers' Median (LTM)																																																							
Cash/Capital	4.5%	7.8%																																																							
NWC/Capital	23.3%	18.8%																																																							
Operating Assets/Capital	24.6%	30.0%																																																							
Goodwill/Capital	47.7%	40.4%																																																							
Capital Structure																																																									
<table> <thead> <tr><th>GNRC (LTM)</th><th>GNRC (5 years historical average)</th><th>Peers' Median (LTM)</th></tr> </thead> <tbody> <tr><td>Total Debt/Market Capitalization</td><td>0.69</td><td>0.69</td></tr> <tr><td>Cost of Existing Debt</td><td>4.1%</td><td>4.2%</td></tr> <tr><td>CGFS Rating (F-score, Z-score, and default Probability)</td><td>A</td><td>BBB</td></tr> <tr><td>WACC</td><td>6.4%</td><td>8.1%</td></tr> </tbody> </table>					GNRC (LTM)	GNRC (5 years historical average)	Peers' Median (LTM)	Total Debt/Market Capitalization	0.69	0.69	Cost of Existing Debt	4.1%	4.2%	CGFS Rating (F-score, Z-score, and default Probability)	A	BBB	WACC	6.4%	8.1%																																						
GNRC (LTM)	GNRC (5 years historical average)	Peers' Median (LTM)																																																							
Total Debt/Market Capitalization	0.69	0.69																																																							
Cost of Existing Debt	4.1%	4.2%																																																							
CGFS Rating (F-score, Z-score, and default Probability)	A	BBB																																																							
WACC	6.4%	8.1%																																																							
Porter's 5 forces (scores are out of 100)																																																									
																																																									
Period																																																									
<table> <thead> <tr><th>Period</th><th>Revenue Growth Forecast</th><th>NOPAT Margin Forecast</th><th>Revenue to Capital Forecast</th></tr> </thead> <tbody> <tr><td>Base Year</td><td>11%</td><td>16.9%</td><td>0.86</td></tr> <tr><td>6/30/2018</td><td>8%</td><td>4.2%</td><td>0.89</td></tr> <tr><td>6/30/2019</td><td>7%</td><td>5.4%</td><td>0.86</td></tr> <tr><td>6/30/2020</td><td>6%</td><td>5.8%</td><td>0.85</td></tr> <tr><td>6/30/2021</td><td>5%</td><td>6.2%</td><td>0.83</td></tr> <tr><td>6/30/2022</td><td>5%</td><td>6.6%</td><td>0.81</td></tr> <tr><td>6/30/2023</td><td>4%</td><td>13.7%</td><td>0.78</td></tr> <tr><td>6/30/2024</td><td>4%</td><td>13.7%</td><td>0.72</td></tr> <tr><td>6/30/2025</td><td>3%</td><td>13.8%</td><td>0.66</td></tr> <tr><td>6/30/2026</td><td>3%</td><td>14.0%</td><td>0.61</td></tr> <tr><td>6/30/2027</td><td>2%</td><td>14.1%</td><td>0.57</td></tr> <tr><td>Continuing Period</td><td>2%</td><td>14.3%</td><td>0.53</td></tr> </tbody> </table>					Period	Revenue Growth Forecast	NOPAT Margin Forecast	Revenue to Capital Forecast	Base Year	11%	16.9%	0.86	6/30/2018	8%	4.2%	0.89	6/30/2019	7%	5.4%	0.86	6/30/2020	6%	5.8%	0.85	6/30/2021	5%	6.2%	0.83	6/30/2022	5%	6.6%	0.81	6/30/2023	4%	13.7%	0.78	6/30/2024	4%	13.7%	0.72	6/30/2025	3%	13.8%	0.66	6/30/2026	3%	14.0%	0.61	6/30/2027	2%	14.1%	0.57	Continuing Period	2%	14.3%	0.53	
Period	Revenue Growth Forecast	NOPAT Margin Forecast	Revenue to Capital Forecast																																																						
Base Year	11%	16.9%	0.86																																																						
6/30/2018	8%	4.2%	0.89																																																						
6/30/2019	7%	5.4%	0.86																																																						
6/30/2020	6%	5.8%	0.85																																																						
6/30/2021	5%	6.2%	0.83																																																						
6/30/2022	5%	6.6%	0.81																																																						
6/30/2023	4%	13.7%	0.78																																																						
6/30/2024	4%	13.7%	0.72																																																						
6/30/2025	3%	13.8%	0.66																																																						
6/30/2026	3%	14.0%	0.61																																																						
6/30/2027	2%	14.1%	0.57																																																						
Continuing Period	2%	14.3%	0.53																																																						
Period																																																									
<table> <thead> <tr><th>Period</th><th>Return on Capital Forecast</th><th>WACC Forecast</th><th>Price per share Forecast</th></tr> </thead> <tbody> <tr><td>Base Year</td><td>14.4%</td><td>6.4%</td><td>\$55.57</td></tr> <tr><td>6/30/2018</td><td>3.8%</td><td>6.5%</td><td>\$62.26</td></tr> <tr><td>6/30/2019</td><td>4.6%</td><td>6.5%</td><td>\$68.30</td></tr> <tr><td>6/30/2020</td><td>4.9%</td><td>6.5%</td><td>\$74.52</td></tr> <tr><td>6/30/2021</td><td>5.2%</td><td>6.7%</td><td>\$81.35</td></tr> <tr><td>6/30/2022</td><td>5.3%</td><td>6.7%</td><td>\$87.71</td></tr> <tr><td>6/30/2023</td><td>10.7%</td><td>6.0%</td><td>\$94.29</td></tr> </tbody> </table>					Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast	Base Year	14.4%	6.4%	\$55.57	6/30/2018	3.8%	6.5%	\$62.26	6/30/2019	4.6%	6.5%	\$68.30	6/30/2020	4.9%	6.5%	\$74.52	6/30/2021	5.2%	6.7%	\$81.35	6/30/2022	5.3%	6.7%	\$87.71	6/30/2023	10.7%	6.0%	\$94.29																					
Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast																																																						
Base Year	14.4%	6.4%	\$55.57																																																						
6/30/2018	3.8%	6.5%	\$62.26																																																						
6/30/2019	4.6%	6.5%	\$68.30																																																						
6/30/2020	4.9%	6.5%	\$74.52																																																						
6/30/2021	5.2%	6.7%	\$81.35																																																						
6/30/2022	5.3%	6.7%	\$87.71																																																						
6/30/2023	10.7%	6.0%	\$94.29																																																						

